HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Quebec Region Highlights

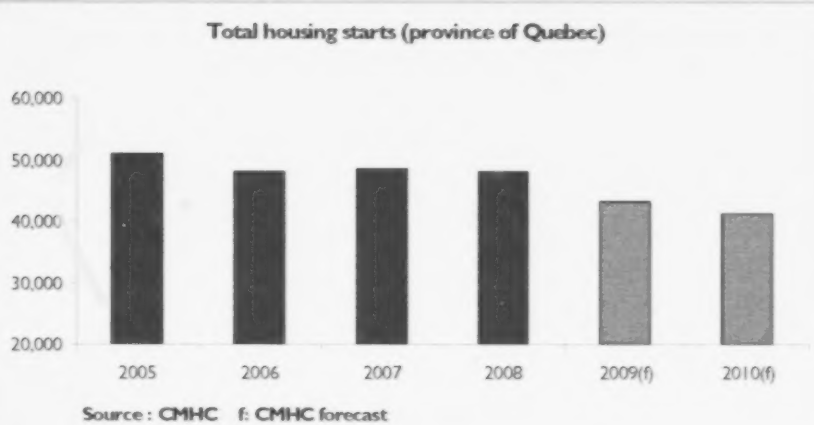
Canada Mortgage and Housing Corporation

Date Released: Third Quarter 2009

Latest CMHC forecast for 2009 and 2010

Figure 1

Figure 2



Overview

A notably weaker economic environment, combined with increased supply of homes will lower housing construction in Quebec this year. Despite favorable buying conditions, housing starts will descend to the 43,000 level in 2009. Meanwhile, sales of existing homes decrease by approximately 5 per cent. The province's economy and housing sector will both show signs of growth in 2010.

Quebec's economy, whose growth went from 2.6 per cent in 2007 to 1.0 per cent last year, has contracted in the fourth quarter of 2008 and in the first quarter of 2009. Domestic consumption, which has largely sustained the province's economy, is no longer in growth mode. Indeed, recent losses in the labour market combined with the currently high level of economic uncertainty will continue to hold back household spending in the near term. This, in turn, will further compromise private investment. Moreover, exports will record continued weakness in 2009 as

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external (foreign and Canadian) demand weakens.

Household spending will likely continue to decrease as a result of a declining and uncertain labour market and lower disposable income growth. However, prompt government actions such as increased spending on infrastructure projects and recent fiscal and monetary stimulus plans will undoubtedly moderate the extent of economic contraction. The less concentrated Quebec's industrial base is in the automobile sector and the more robust housing markets will also moderate the economic downturn in 2009. The Quebec economy is expected to recede by 2 per cent in 2009, while job growth will register a decline of 1.1 per cent. In 2010, the economy will grow by 1.4 per cent while the labour market begins to recover (0.4 per cent).

Mortgage rates

The Bank of Canada cut the target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. The Bank of Canada has committed to keeping the target at 0.25 per cent through the middle of 2010 unless inflationary pressures warrant an increase.

Mortgage rates have fallen in the last few months and are now expected to be relatively stable throughout 2009, remaining within 25-75 basis points of their current levels. Posted mortgage rates will gradually increase through 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate will be in the 4.00-5.25 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.50-6.75 per cent range.

Figure 3

In Detail

Single Starts: This segment will undoubtedly be affected by the economic and financial environment, as well as by the recently rising supply of resale homes. Affordability has become more of an issue, prompting homebuyers to turn to the resale market, where supply in more abundant and prices have flattened. As well, semi-detached and row housing are likely to be viewed as substitutes. Approximately 17,600 starts are expected in 2009 and just under 18,000 in 2010.

Multiple Starts: These recent years, vigorous construction of retirement homes and condominiums brought multi-family starts to historically high levels in Quebec markets. Given the fact the growth rate of the population aged 75 and over will temporarily slow and given current supply, starts in this category will drop to approximately 25,500 units in 2009 and just over 23,000 in 2010.

Resales: Sales of existing homes will decline in 2009, but will remain at a relatively high level. Demand for condominiums will still be an important component, but will nevertheless decrease. The Multiple Listing Service (MLS) will record over 75,000 sales in 2009. Being the first market to react to the economic recovery, resales will amount to 77,000 in 2010.

Prices: Lower sales and higher inventories will continue to take pressure off prices. Cooling demand should rule out price growth in 2009. As a result, the MLS average resale price will post growth of 1.4 per cent to $213,700 in 2009. Slightly evolving market conditions will translate into marginal price growth in 2010, as the average MLS price surpasses the $215,000 level.

Mortgage rates		
1 Year	Q2 2009	3.85
	% pt. chg from Q1 2008	-2.83
	2009 (F)	4.16
	2010 (F)	4.45
5 Year	Q2 2009	5.45
	% pt. chg from Q1 2008	-1.48
	2009 (F)	5.72
	2010 (F)	6.24

Source: Bank of Canada, CMHC Forecast

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales[3]	MLS® Average Price ($)[2]
Gatineau	Q2 2009	-5.1	5.4	871.29	Q2 2009	823	282	541	N.A.	N.A.
	Q2 2008	8.2	5.5	826.97	Q2 2008	623	282	341	N.A.	N.A.
	Change[1]	-13.3	-0.1	5.4%	% Change	32.1	0.0	58.7	N.A.	N.A.
Montréal	Q2 2009	-0.5	9.5	751.86	Q2 2009	4,868	1,529	3,339	N.A.	N.A.
	Q2 2008	-0.7	7.5	724.61	Q2 2008	6,218	2,393	3,825	N.A.	N.A.
	Change[1]	0.1	2.0	3.8%	% Change	-21.7	-36.1	-12.7	N.A.	N.A.
Québec	Q2 2009	1.1	4.6	730.06	Q2 2009	1,662	614	1,048	N.A.	N.A.
	Q2 2008	2.8	5.0	725.45	Q2 2008	2,154	759	1,395	N.A.	N.A.
	Change[1]	-1.7	-0.4	0.6%	% Change	-22.8	-19.1	-24.9	N.A.	N.A.
Saguenay	Q2 2009	0.3	9.2	722.00	Q2 2009	157	107	50	N.A.	N.A.
	Q2 2008	-5.6	9.3	676.07	Q2 2008	217	160	57	N.A.	N.A.
	Change[1]	5.9	-0.1	6.8%	% Change	-27.6	-33.1	-12.3	N.A.	N.A.
Sherbrooke	Q2 2009	-0.4	9.1	712.98	Q2 2009	490	254	236	N.A.	N.A.
	Q2 2008	-3.7	5.7	703.88	Q2 2008	518	243	275	N.A.	N.A.
	Change[1]	3.3	3.4	1.3%	% Change	-5.4	4.5	-14.2	N.A.	N.A.
Trois Rivières	Q2 2009	-6.5	8.2	697.84	Q2 2009	323	132	191	N.A.	N.A.
	Q2 2008	1.1	8.6	663.06	Q2 2008	344	123	221	N.A.	N.A.
	Change[1]	-7.6	-0.4	5.2%	% Change	-6.1	7.3	-13.6	N.A.	N.A.
Quebec	June 09	-0.7	8.8	730.02	Q2 2009	11,599	5,359	6,240	25,421	$225,483
	June 08	0.5	7.2	705.95	Q2 2008	14,524	6,999	7,525	24,906	219,003
	Change[1]	-1.2	1.6	3.4%	% Change	-20.1	-23.4	-17.1	2.1	3.0
Canada	June 09	-1.8	8.6	799.01	Q2 2009	35,798	19,029	16,769	147,351	$318,696
	June 08	1.7	6.2	777.73	Q2 2008	62,087	29,267	32,820	145,293	317,179
	Change[1]	-3.5	2.4	2.7%	% Change	-42.3	-35.0	-48.9	1.4	0.5

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[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year

[2]For the average MLS® price, the figure for the CMAs corresponds to the trend for the last four quarters, except in the case of Montréal. Also, the figure corresponds to the average price of freehold homes in the case of Montréal, Saguenay and Trois-Rivières and to the average price of all homes in the case of Gatineau, Québec and Sherbrooke

Source: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA

"SA" means Seasonally Adjusted

Source for Quebec CMA's MLS® data: The Quebec Federation of Real Estate Boards by Centris™, CMHC compilation

N.A. Currently not available

Quebec Region Housing Forecast - New Construction

	Housing Starts	2008	2009(F)*	% chg (2008/2009)	2010(F)*	% chg (2009/2010)	YTD 2009	YTD 2008	% chg (2008/2009)
Gatineau	Single-Detached	1,120	960	-14.3	850	-11.5	469	450	4.2
	Multiple	2,184	1,950	-10.7	2,000	2.6	972	770	26.2
	Total	3,304	2,910	-11.9	2,850	-2.1	1,441	1,220	18.1
Montréal	Single-Detached	6,602	4,800	-27.3	5,400	12.5	2,325	3,656	-36.4
	Multiple	15,325	13,100	-14.5	13,500	3.1	6,296	7,963	-20.9
	Total	21,927	17,900	-18.4	18,900	5.6	8,621	11,619	-25.8
Québec	Single-Detached	2,031	1,725	-15.1	1,450	-15.9	845	1,028	-17.8
	Multiple	3,426	3,075	-10.2	2,850	-7.3	1,308	1,995	-34.4
	Total	5,457	4,800	-12.0	4,300	-10.4	2,153	3,023	-28.8
Saguenay	Single-Detached	400	275	-31.3	300	9.1	121	185	-34.6
	Multiple	469	250	-46.7	550	120.0	68	67	1.5
	Total	869	525	-39.6	850	61.9	189	252	-25.0
Sherbrooke	Single-Detached	802	730	-9.0	750	2.7	367	338	8.6
	Multiple	825	820	-0.6	775	-5.5	382	376	1.6
	Total	1,627	1,550	-4.7	1,525	-1.6	749	714	4.9
Trois Rivières	Single-Detached	373	325	-12.9	300	-7.7	156	182	-14.3
	Multiple	775	525	-32.3	510	-2.9	241	348	-30.7
	Total	1,148	850	-26.0	810	-4.7	397	530	-25.1
Quebec	Single-Detached	19,778	17,250	-12.8	17,500	1.4	7,549	9,441	-20.0
	Multiple	28,123	25,925	-7.8	23,600	-9.0	10,953	13,627	-19.6
	Total	47,901	43,175	-9.9	41,100	-4.8	18,502	23,068	-19.8
Canada	Single-Detached	93,202	68,400	-26.6	72,450	5.9	27,843	44,596	-37.6
	Multiple	117,854	73,500	-37.6	77,850	5.9	31,727	61,101	-48.1
	Total	211,056	141,900	-32.8	150,300	5.9	59,570	105,697	-43.6

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

Quebec Region Housing Forecast - Resale Market[2]

		2008	2009(F)*	% chg (2008/2009)	2010(F)*	% chg (2009/2010)	YTD 2009	YTD 2008	% chg (2008/2009)
Gatineau	MLS® Sales	4,390	4,025	-8.3	3,925	-2.5	N.A.	N.A.	N.A.
	MLS® Avg. Price[1]	186,212	192,800	3.5	197,500	2.4	N.A.	N.A.	N.A.
Montreal	MLS® Sales	40,440	37,400	-7.5	39,000	4.3	N.A.	N.A.	N.A.
	MLS® Avg. Price[1]	258,028	263,000	1.9	263,700	0.3	N.A.	N.A.	N.A.
Quebec	MLS® Sales	8,003	7,450	-6.9	7,800	4.7	N.A.	N.A.	N.A.
	MLS® Avg. Price[1]	193,195	202,850	5.0	208,950	3.0	N.A.	N.A.	N.A.
Saguenay	MLS® Sales	1,557	1,400	-10.1	1,400	0.0	N.A.	N.A.	N.A.
	MLS® Avg. Price[1]	150,597	158,000	4.9	165,000	4.4	N.A.	N.A.	N.A.
Sherbrooke	MLS® Sales	1,864	1,790	-4.0	1,880	5.0	N.A.	N.A.	N.A.
	MLS® Avg. Price[1]	179,434	183,000	2.0	186,600	2.0	N.A.	N.A.	N.A.
Trois Rivieres	MLS® Sales	799	765	-4.3	750	-2.0	N.A.	N.A.	N.A.
	MLS® Avg. Price[1]	141,610	144,500	2.0	148,800	3.0	N.A.	N.A.	N.A.
Quebec	MLS® Sales	79,402	75,400	-5.0	77,000	2.1	42,763	46,233	-7.5
	MLS® Avg. Price[1]	210,775	213,700	1.4	215,100	0.7	219,882	215,023	2.3
Canada[2]	MLS® Sales	433,990	420,700	-3.1	419,400	-0.3	223,503	249,703	-10.5
	MLS® Avg. Price[1]	303,607	301,400	-0.7	306,300	1.6	307,098	315,029	-2.5

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[1]For the average MLS® price, the figure for the CMAs corresponds to the trend for the last four quarters, except in the case of Montréal. Also, the figure corresponds to the average price of freehold homes in the case of Montréal, Saguenay and Trois-Rivières and to the average price of all homes in the case of Gatineau, Québec and Sherbrooke.

Source: CREA

(F) = CMHC Forecast

*Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

[2]Canada total excludes the territories

Source for Quebec CMA's: The Quebec Federation of Real Estate Boards by Centris™, CMHC compilation

N.A. Currently not available

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2008	Oct 2009(F)	Oct 2008	Oct 2009(F)
Gatineau	1.9	2.3	677	690
Montréal	2.4	2.1	659	668
Québec	0.6	0.6	653	663
Saguenay	1.6	2.0	518	530
Sherbrooke	2.8	3.0	543	555
Trois Rivières	1.7	1.8	505	515
Canada	2.3	2.4	s.o.	s.o

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 10,000+

Quebec Region - Housing Forecast Ranges						
	2009			2010		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Québec						
Housing Starts	43,175	46,600	35,000	41,100	49,800	34,100
Multiple	25,925	27,500	20,750	23,600	27,900	19,100
Single	17,250	19,100	14,250	17,500	21,900	15,000
MLS® Sales	75,400	80,000	67,400	77,000	85,800	69,800
MLS® Average Price ($)	213,700	222,700	203,900	215,100	228,000	205,100
Canada						
Housing Starts	141,900	160,000	125,000	150,300	180,000	130,000
Multiple	73,500	83,000	63,600	77,850	92,000	67,000
Single	68,400	77,000	61,000	72,450	88,000	63,000
MLS® Sales	420,700	440,000	408,000	419,400	468,000	375,000
MLS® Average Price ($)	301,400	313,000	295,000	306,300	330,000	295,000

Sources : CMHC

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